

Aplington Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2004

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## **Aplington Community School District**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### **Board of Education**

##### **(Before September 2003 Election)**

Kevin Schipper	President	2003
Julie Jungling	Vice President	2004
Doug Tjeerdsma	Board Member	2005
Kim Dix	Board Member	2005
Leon Johnson	Board Member	2004

#### **Board of Education**

##### **(After September 2003 Election)**

Kevin Schipper	President	2006
Julie Jungling	Vice President	2004
Doug Tjeerdsma	Board Member	2005
Kim Dix	Board Member	2005
Leon Johnson	Board Member	2004

#### **School Officials**

Patrick Morgan	Superintendent	2004
Melinda Muller	District Secretary/Treasurer	2004
Greg Lievens	Attorney	2004

Independent Auditor's Report

To the Board of Education of  
Aplington Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aplington Community School District, Aplington, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aplington Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Aplington Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated July 28, 2004 on my consideration of Aplington Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aplington Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge  
Certified Public Accountant

July 28, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Aplington Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,981,715 in fiscal 2003 to \$2,821,757 in fiscal 2004, while General Fund expenditures increased from \$2,747,413 in fiscal 2003 to \$2,873,105 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$213,148 in fiscal 2003 to \$161,800 in fiscal 2004, a 24% decrease from the prior year.
- The decrease in General Fund revenues was directly attributable to the District's decrease in certified enrollment from 363 students in 2002 to 351 in 2003, a loss of 12 students. September 2003 was the last time enrollment was taken for the Aplington District due to the July 1, 2004 merger with Parkersburg School District. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. Since the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- In October 2003, Governor Vilsack announced a 2.5% across-the-board reduction, which cut our District's General Fund revenues by approximately \$34,000. In June, the Governor restored 10% of the October cut restoring \$3,554 to the General Fund.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$20,569 in fiscal year 2001 to \$835 in fiscal year 2004.
- In February 2004, Butler and Grundy Counties passed the 1% Local Option Sales and Services (SILO) tax, which will have a significant impact on our District. The percentage of "Yes" votes was 73% in Butler County and 75% in Grundy County. Increased revenue from the SILO Tax will begin in September 2004.
- In October 2002, NSFF (National School Fitness Foundation) contracted with the District to reimburse the full cost of fitness equipment installed in the Aplington building. In April 2004, the NSFF filed bankruptcy and has not made payments to the District. The PPEL (Physical Plant and Equipment Levy) paid \$13,950 to cover the cost of the April, May and June payments. The District is pursuing legal action, but the prospect of recovering funds from NSFF is unlikely.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Aplington Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Aplington Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Aplington Community School District Annual Financial Report**

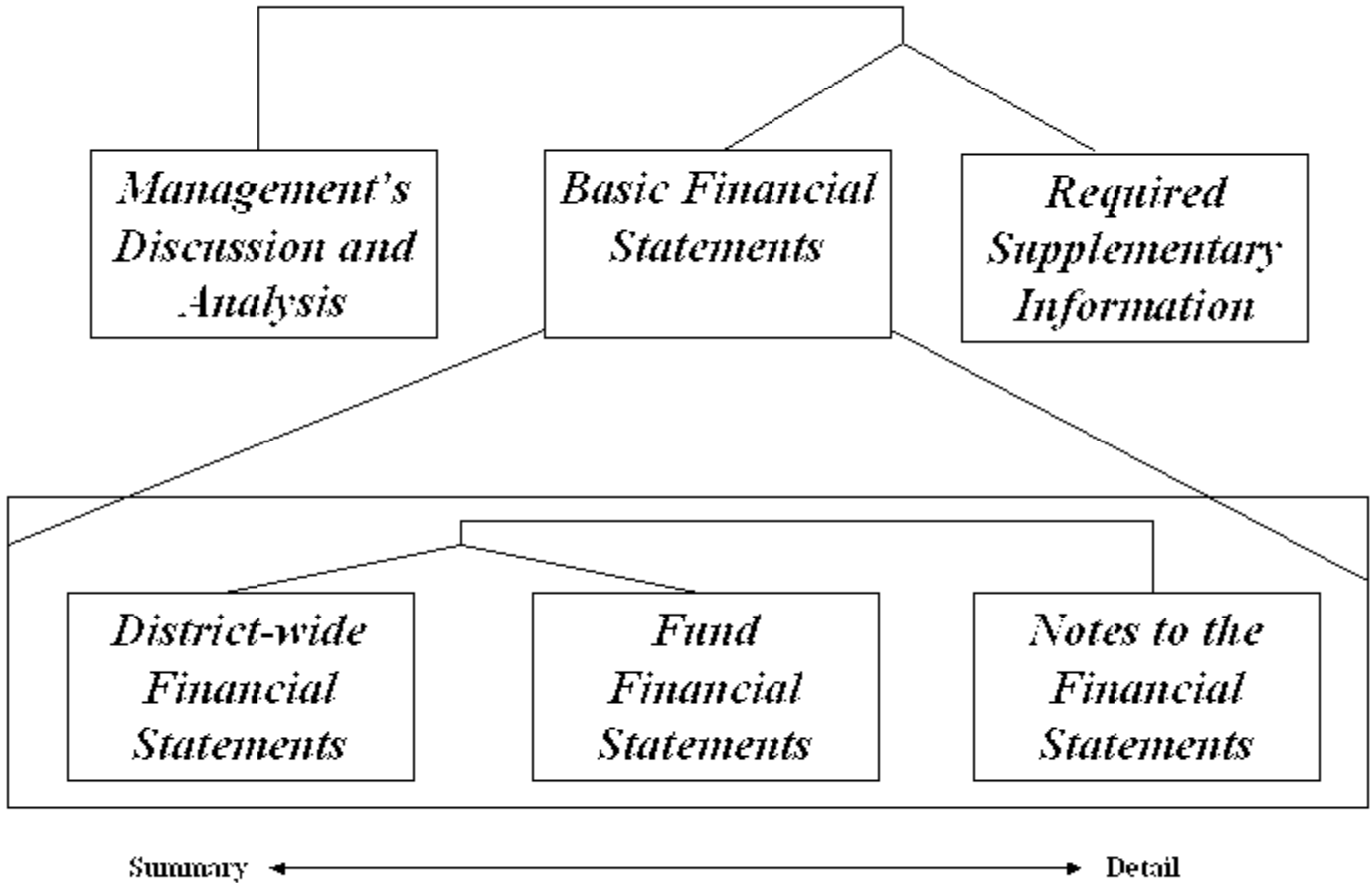


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$396,223	\$2,764,990	\$5,341	\$8,312	\$401,564	\$2,773,302	-\$2,371,738
Capital assets	541,827	475,697	19,985	22,535	561,812	498,232	63,580
Total assets	\$938,050	\$3,240,687	\$25,326	\$30,847	\$963,376	\$3,271,534	-\$2,308,158
Long-term liabilities	\$1,972,657	\$2,154,055	\$-	\$-	\$1,972,657	\$2,154,055	-\$181,398
Other liabilities	198,792	2,528,138	1,420	1,941	200,212	2,530,079	-2,329,867
Total liabilities	\$2,171,449	\$4,682,193	\$1,420	\$1,941	\$2,172,869	\$4,684,134	-\$2,511,265
Net assets:							
Invested in capital assets, net of related debt	-\$1,430,830	-\$1,678,358	\$19,985	\$22,535	-\$1,410,845	-\$1,655,823	\$244,978
Restricted	39,075	63,930	-	-	39,075	63,930	-24,855
Unrestricted	158,356	172,922	3,921	6,371	162,277	179,293	-17,016
Total net assets	-\$1,233,399	-\$1,441,506	\$23,906	\$28,906	-\$1,209,493	-\$1,412,600	\$203,107

The District's combined net assets increased by nearly 14%, or approximately \$203,000, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$25,000, or 39% over the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$17,000, or 9%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$292,216	\$85,151	\$377,367
Operating grants, contributions and restricted interest	367,640	65,611	433,251
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,462,155	-	1,462,155
Local option sales and service tax	-	-	-
Unrestricted state grants	1,156,926	-	1,156,926
Unrestricted investment earnings	1,911	-	1,911
Total revenues	\$3,280,848	\$150,762	\$3,431,610
Program expenses:			
Governmental activities:			
Instruction	\$2,022,838	\$-	\$2,022,838
Support services	787,179	-	787,179
Non-instructional programs	-	169,262	169,262
Other expenses	249,224	-	249,224
Total expenses	\$3,059,241	\$169,262	\$3,228,503
Change in net assets	\$221,607	-\$18,500	\$203,107

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$3,280,848 and expenses were \$3,059,241. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$2,022,838	\$1,489,224
Support Services	787,179	769,487
Non-instructional programs	-	-
Other expenses	249,224	140,674
Totals	\$3,059,241	\$2,399,385

- The cost financed by users of the District's programs was \$377,367.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$318,507.
- The net cost of governmental activities was financed with \$1,462,155 in property and other taxes and \$1,156,926 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$150,762 and expenses were \$169,262. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Aplington Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$241,215, well below last year's ending fund balances of \$311,606.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. A reduction during the year in tax and grants resulted in a decrease in revenues. The decrease in revenues, along with the increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$213,148 to \$161,800, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$3,884 in fiscal 2003 to \$1,720 in fiscal 2004. While revenues remained approximately the same, the District used dollars from the PPEL Fund to make lease payments for the fitness equipment due to the NSFF bankruptcy.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets decreased from \$28,906 at June 30, 2003 to \$23,906 at June 30, 2004, representing a decrease of approximately 17%. For fiscal 2004, the District increased meal prices, resulting in an increase in revenue.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$75,687 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$.56 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 15% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$16,557.

The original cost of the District's capital assets was \$4.5 million. Governmental funds account for \$4.5 million, with the remainder of \$0.003 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$17,365	\$17,365	\$-	\$-	\$17,365	\$17,365	\$-
Construction in progress	-	-	-	-	-	-	-
Buildings	345,635	348,043	-	-	345,635	348,043	-2,408
Improvements other than buildings	33,092	28,066	-	-	33,092	28,066	5,026
Furniture and equipment	145,735	82,223	19,985	22,535	165,720	104,758	60,962
Totals	\$541,827	\$475,697	\$19,985	\$22,535	\$561,812	\$498,232	\$63,580

### Long-Term Debt

At June 30, 2004, the District had \$2,007,018 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In August 1994, the District's voters authorized the issuance of \$2,700,000 in general obligation bonds to pay for construction and remodeling of the school building. Planning for the project started in fiscal 1994 and the bonds were sold during fiscal 1994. The District had total outstanding bonded indebtedness at June 30, 2004 of \$1,905,000.

The District also had a total outstanding School Equipment Capital Lease payable from the Physical Plant and Equipment Levy Fund of \$67,657 at June 30, 2004.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$1,905,000	\$2,035,000	-\$130,000
Capital lease	67,657	119,055	-51,398
Early retirement	34,361	64,559	-30,198
Totals	\$2,007,018	\$2,218,614	-\$211,596

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- At the request of voters at an election held in August 2003, effective July 1, 2004, the Aplington Community School District merged with the Parkersburg Community School District. The merger affects the merged district's financial future in several areas. The PPEL (Physical Plant and Equipment Levy) rate is reduced from \$1.00/\$1000 to \$.33/\$1000 because the voted portion, \$.67/\$1000 in place at Aplington, does not transfer to the new Aplington-Parkersburg District. The PERL (Playground Equipment Replacement Levy) of \$.13/\$1000 voted in at Aplington also does not transfer to the new Aplington-Parkersburg District. Several areas of revenues and expenditures will be eliminated because Aplington and Parkersburg will not be paying each other for shared students, administrators, transportation costs, or for open enrollment tuition.
- The 1% local option sales tax (SILO) is projected to bring \$171,000 into the Aplington-Parkersburg School District during FY05 for infrastructure and vehicle expenses.
- The District has evaluated the condition of its transportation vehicles and determined that, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of \$60,000. To pay for these buses, the District will use the SILO (School Infrastructure Local Option) tax implemented July 1, 2004.
- The District will negotiate a new agreement with the Aplington-Parkersburg Education Association during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patrick Morgan, Superintendent, Aplington-Parkersburg Community School District, 610 North Johnson Street, Parkersburg IA 50665.

## **Basic Financial Statements**

## Aplington Community School District

## Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 154,042	\$ -	\$ 154,042
Other	219,952	1,049	221,001
Receivables:			
Property tax:			
Delinquent	20,587	-	20,587
Accounts	804	128	932
Accrued interest:			
ISCAP	838	-	838
Inventories	-	4,164	4,164
Capital assets, net of accumulated depreciation	541,827	19,985	561,812
<b>Total Assets</b>	<b>\$ 938,050</b>	<b>\$ 25,326</b>	<b>\$ 963,376</b>
<b>Liabilities</b>			
Accounts payable	\$ 737	\$ -	\$ 737
Accrued interest payable	9,423	-	9,423
Deferred revenue-other	-	1,420	1,420
ISCAP warrants payable	153,000	-	153,000
ISCAP accrued interest payable	1,271	-	1,271
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	160,000	-	160,000
Capital lease	53,813	-	53,813
Early retirement	34,361	-	34,361
Portion due after one year:			
General obligation bonds payable	1,745,000	-	1,745,000
Capital lease	13,844	-	13,844
<b>Total Liabilities</b>	<b>\$ 2,171,449</b>	<b>\$ 1,420</b>	<b>\$ 2,172,869</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ -1,430,830	\$ 19,985	\$ -1,410,845
Restricted for:			
Management levy	-29,934	-	-29,934
Physical plant and equipment levy	1,720	-	1,720
Other special revenue purposes	67,289	-	67,289
Unrestricted	158,356	3,921	162,277
<b>Total Net Assets</b>	<b>\$ -1,233,399</b>	<b>\$ 23,906</b>	<b>\$ -1,209,493</b>

See notes to financial statements.



**Aplington Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

		Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
<b><u>Functions/Programs</u></b>					
Governmental Activities:					
Instruction:					
Regular instruction	\$ 1,095,840	\$ 157,434	\$ 208,029	\$	-
Special instruction	830,532	78,881	44,459		-
Other instruction	96,466	41,478	3,333		-
	<u>\$ 2,022,838</u>	<u>\$ 277,793</u>	<u>\$ 255,821</u>	<u>\$</u>	<u>-</u>
Support Services:					
Student services	\$ 26,739	\$ -	\$ -	\$	-
Instructional staff services	84,590	-	-		-
Administration services	309,796	-	-		-
Operation and maintenance of plant services	187,890	-	-		-
Transportation services	178,164	14,423	3,269		-
	<u>\$ 787,179</u>	<u>\$ 14,423</u>	<u>\$ 3,269</u>	<u>\$</u>	<u>-</u>
Non-instructional programs	\$ -	\$ -	\$ -	\$	-
Other Expenditures:					
Facilities acquisition	\$ 17,919	\$ -	\$ 2,500	\$	-
Long-term debt interest	123,321	-	-		-
AEA flow-through	106,050	-	106,050		-
Depreciation (unallocated) *	1,934	-	-		-
	<u>\$ 249,224</u>	<u>\$ -</u>	<u>\$ 108,550</u>	<u>\$</u>	<u>-</u>
Total Governmental Activities	\$ 3,059,241	\$ 292,216	\$ 367,640	\$	-
Business Type Activities:					
Non-Instructional Programs:					
Food service operations	169,262	85,151	65,611		-
Total	<u>\$ 3,228,503</u>	<u>\$ 377,367</u>	<u>\$ 433,251</u>	<u>\$</u>	<u>-</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-730,377	\$	-	\$ -730,377
	-707,192		-	-707,192
	-51,655		-	-51,655
\$	-1,489,224	\$	-	\$ -1,489,224
\$	-26,739	\$	-	\$ -26,739
	-84,590		-	-84,590
	-309,796		-	-309,796
	-187,890		-	-187,890
	-160,472		-	-160,472
\$	-769,487	\$	-	\$ -769,487
\$	-	\$	-	\$ -
\$	-15,419	\$	-	\$ -15,419
	-123,321		-	-123,321
	-		-	-
	-1,934		-	-1,934
\$	-140,674	\$	-	\$ -140,674
\$	-2,399,385	\$	-	\$ -2,399,385
	-		-18,500	-18,500
\$	-2,399,385	\$	-18,500	\$ -2,417,885

**Aplington Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Transfers			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 1,117,527	\$ -	\$ 1,117,527
248,093	-	248,093
96,535	-	96,535
-	-	-
1,156,926	-	1,156,926
1,911	-	1,911
-	-	-
<hr/>		
\$ 2,620,992	\$ -	\$ 2,620,992
<hr/>		
\$ 221,607	\$ -18,500	\$ 203,107
-13,500	13,500	-
<hr/>		
\$ 208,107	\$ -5,000	\$ 203,107
-1,441,506	28,906	-1,412,600
<hr/>		
\$ -1,233,399	\$ 23,906	\$ -1,209,493
<hr/>		

## Aplington Community School District

Balance Sheet  
Governmental Funds

June 30, 2004

Assets	General	Non-major Special Revenue	Total
Cash and Pooled Investments:			
ISCAP	\$ 154,042	\$ -	\$ 154,042
Other	146,649	73,303	219,952
Receivables:			
Property Tax:			
Delinquent	14,475	6,112	20,587
Succeeding year	-	-	-
Accounts	804	-	804
Accrued Interest:			
ISCAP	838	-	838
<b>Total Assets</b>	<b>\$ 316,808</b>	<b>\$ 79,415</b>	<b>\$ 396,223</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 737	\$ -	\$ 737
ISCAP warrants payable	153,000	-	153,000
ISCAP accrued interest payable	1,271	-	1,271
Deferred Revenue:			
Succeeding year property tax	-	-	-
Total Liabilities	\$ 155,008	\$ -	\$ 155,008
Fund Balances:			
Reserved for debt service	\$ -	\$ 59,583	\$ 59,583
Unreserved	161,800	19,832	181,632
Total Fund Balances	\$ 161,800	\$ 79,415	\$ 241,215
<b>Total Liabilities and Fund Balances</b>	<b>\$ 316,808</b>	<b>\$ 79,415</b>	<b>\$ 396,223</b>

See notes to financial statements.

## Aplington Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (page 16)</b>	\$ 241,215
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	541,827
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-9,423
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,007,018</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ -1,233,399</u>

## Aplington Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2004

	General	Non-Major Special Revenue	Total
Revenues:			
Local Sources:			
Local tax	\$ 1,047,991	\$ 414,164	\$ 1,462,155
Tuition	54,684	-	54,684
Other	246,023	42,553	288,576
Intermediate sources	-	-	-
State sources	1,343,941	2,374	1,346,315
Federal sources	129,118	-	129,118
Total Revenues	\$ 2,821,757	\$ 459,091	\$ 3,280,848
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,077,433	\$ 51,153	\$ 1,128,586
Special instruction	830,532	-	830,532
Other instruction	56,058	40,408	96,466
	\$ 1,964,023	\$ 91,561	\$ 2,055,584
Support Services:			
Student services	\$ 26,739	\$ -	\$ 26,739
Instructional staff services	112,845	-	112,845
Administration services	301,576	9,473	311,049
Operation and maintenance of plant services	169,333	15,247	184,580
Transportation services	179,039	7,598	186,637
	\$ 789,532	\$ 32,318	\$ 821,850
Non-instructional programs	\$ -	\$ -	\$ -
Other Expenditures:			
Facilities acquisition	\$ -	\$ 48,764	\$ 48,764
Long-Term Debt:			
Principal	-	181,398	181,398
Interest and fiscal charges	-	124,093	124,093
AEA flow-through	106,050	-	106,050
	\$ 106,050	\$ 354,255	\$ 460,305
Total Expenditures	\$ 2,859,605	\$ 478,134	\$ 3,337,739
Excess (deficiency) of revenues over (under) expenditures	\$ -37,848	\$ -19,043	\$ -56,891
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ 55,800	\$ 55,800
Operating transfers out	-13,500	-55,800	-69,300
Total Other Financing Sources (Uses)	\$ -13,500	\$ -	\$ -13,500
Net change in fund balances	\$ -51,348	\$ -19,043	\$ -70,391
Fund balances beginning of year, as restated (Note 11)	213,148	98,458	311,606
Fund Balances End of Year	\$ 161,800	\$ 79,415	\$ 241,215

See notes to financial statements.

## Aplington Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2004**

**Net change in fund balances – total governmental funds (page 18)** \$ -70,391

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 82,687	
Depreciation expense	-16,557	66,130

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -	
Repaid	181,398	181,398

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		30,198

<b>Change in Net Assets of Governmental Activities (page 15)</b>	<b>\$</b>	<b>208,107</b>



Aplington Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2004

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,049
Accounts receivable	128
Inventories	4,164
Capital assets, net of accumulated depreciation	19,985
<b>Total Assets</b>	<u>\$ 25,326</u>
<b>Liabilities</b>	
Deferred revenue	<u>\$ 1,420</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 19,985
Unrestricted	<u>3,921</u>
<b>Total Net Assets</b>	<u><u>\$ 23,906</u></u>

**Aplington Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**June 30, 2004**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 85,151
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 56,308
Benefits	17,486
Purchased services	9,122
Supplies	83,796
Depreciation	2,550
Total operating expenses	\$ 169,262
Operating loss	\$ -84,111
Non-operating revenues:	
State sources	\$ 2,095
Federal sources	63,516
Operating transfer in	13,500
Total non-operating revenues	\$ 79,111
Change in net assets	\$ -5,000
Net assets beginning of year	28,906
Net Assets End of Year	\$ 23,906

See notes to financial statements.

Aplington Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 85,151
Cash paid to employees for services	-56,308
Cash paid to suppliers for goods or services	-93,885
Net cash used by operating activities	<u>\$ -65,042</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,095
Federal grants received	63,516
Net cash provided by non-capital financing activities	<u>\$ 65,611</u>
Net increase in cash and cash equivalents	\$ 569
Cash and cash equivalents beginning of year	<u>480</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,049</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -84,111
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,883
Depreciation	2,550
Decrease in inventories	213
(Increase) in accounts receivable	-56
(Decrease) in deferred revenue	-146
(Decrease) in due to other governments	<u>-375</u>
Net Cash Used by Operating Activities	<u>\$ -65,042</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$16,883 of federal commodities.

## **Aplington Community School District**

### **Notes to Financial Statements**

**June 30, 2004**

#### **(1) Summary of Significant Accounting Policies**

Aplington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Aplington, Iowa and portions of the predominately agricultural territories in Butler and Grundy Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Effective July 1, 2004, the Aplington Community School District merged with the Parkersburg Community School District.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Aplington Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Aplington Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Debt Service	Special Revenue: PPEL	\$ 55,800
Nutrition	General	13,500
Total		<u>\$ 69,300</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-2004B	1/30/04	1/28/05	\$ 154,042	\$ 838	\$ 153,000	\$ 1,271
Total			<u>\$ 154,042</u>	<u>\$ 838</u>	<u>\$ 153,000</u>	<u>\$ 1,271</u>



The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.00%	1.392%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 11)	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 17,365	\$ -	\$ -	\$ 17,365
Construction in progress	-	-	-	-
Total capital assets not being depreciated	\$ 17,365	\$ -	\$ -	\$ 17,365
Capital assets being depreciated:				
Buildings	\$ 3,178,847	\$ -	\$ -	\$ 3,178,847
Improvements other than buildings	82,858	6,960	-	89,818
Furniture and equipment	1,155,431	75,727	53,493	1,177,665
Total capital assets being depreciated	\$ 4,417,136	\$ 82,687	\$ 53,493	\$ 4,446,330
Less accumulated depreciation for:				
Buildings	\$ 2,830,804	\$ 2,408	\$ -	\$ 2,833,212
Improvements other than buildings	54,792	1,934	-	56,726
Furniture and equipment	1,073,208	12,215	53,493	1,031,930
Total accumulated depreciation	\$ 3,958,804	\$ 16,557	\$ 53,493	\$ 3,921,868
Total capital assets being depreciated, net	\$ 458,332	\$ 66,130	\$ -	\$ 524,462
Governmental Activities Capital Assets, Net	\$ 475,697	\$ 66,130	\$ -	\$ 541,827

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 32,348	\$ -	\$ 3,175	\$ 29,173
Less accumulated depreciation	9,813	2,550	3,175	9,188
Business Type Activities Capital Assets, Net	\$ 22,535	\$ -2,550	\$ -	\$ 19,985

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 7,020
Special	-
Other	-

Support services:

Instructional staff	-
Administration	766
Operation and maintenance of plant	3,310
Transportation	3,527

\$ 14,623

Unallocated 1,934

Total Depreciation Expense – Governmental Activities \$ 16,557

Business Type Activities:

Food service operations \$ 2,550

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,035,000	\$ -	\$ 130,000	\$ 1,905,000	\$ 160,000
Capital lease	119,055	-	51,398	67,657	53,813
Early retirement	64,559	-	30,198	34,361	34,361
Total	\$ 2,218,614	\$ -	\$ 211,596	\$ 2,007,018	\$ 248,174

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee approved by the Board will be based on the employee's salary in effect the last year of the employee's employment with the District. For licensed employees, the amount will be 70% of the difference between the employee's current salary less supplemental pay or extended contract pay and BA Step 0 of the master contract. For other full-time employees, the amount will be 70% of the difference between the employee's current salary and the projected salary of the replacement. This amount shall be the lump sum amount of early retirement incentive the employee will receive upon retirement. All or part of this amount may be applied towards medical insurance premiums or a lump sum will be paid 50% in year one, 50% in year two. Early retirement expenditures for the year ended June 30, 2004 totaled \$30,198.

## General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.55%	\$ 160,000	\$ 87,690	\$ 247,690
2006	4.55%	170,000	80,410	250,410
2007	4.55%	175,000	72,670	247,670
2008	4.55%	185,000	64,712	249,712
2009	4.55%	190,000	56,295	246,295
2010	4.60%	200,000	47,650	247,650
2011	4.60%	215,000	38,450	253,450
2012	4.65%	220,000	28,560	248,560
2013	4.70%	220,000	18,330	238,330
2014	4.70%	170,000	7,990	177,990
Total		\$ 1,905,000	\$ 502,757	\$ 2,407,757

Total principal and interest paid was \$249,692 at June 30, 2004.

## Capital Lease

Details of the District's June 30, 2004 capital lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.60%	\$ 53,813	\$ 1,987	\$ 55,800
2006	4.60%	13,844	106	13,950
Total		\$ 67,657	\$ 2,093	\$ 69,750

Total principal and interest paid was \$55,799 at June 30, 2004.

## **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$91,223, \$77,922 and \$83,481, respectively, equal to the required contributions for each year.

## **(8) Risk Management**

Aplington Community School was a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization, until May 2004. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$227,789.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before the termination date.

Aplington Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$106,050 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Subsequent Events**

At the request of voters at an election held in August 2003, effective July 1, 2004, the Aplington Community School District merged with the Parkersburg Community School District.

**(11) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 213,148	\$ 98,458	\$ 311,606
GASB Interpretation 6 adjustments	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$ 213,148</u>	<u>\$ 98,458</u>	<u>\$ 311,606</u>
GASB 34 Adjustments:			
Capital assets, net of accumulated depreciation of \$3,958,804			475,697
Long-Term Liabilities:			
Bonds		\$ 2,035,000	
Early retirement		64,559	
Capital lease		<u>119,055</u>	-2,218,614
Accrued interest payable			<u>-10,195</u>
Net Assets July 1, 2003, as Restated			<u>\$ -1,441,506</u>

## **Required Supplementary Information**

**Aplington Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2004**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 1,805,415	\$ 85,151
Intermediate sources	-	-
State sources	1,346,315	2,095
Federal sources	129,118	63,516
Total Receipts	<u>\$ 3,280,848</u>	<u>\$ 150,762</u>
Disbursements:		
Instruction	\$ 2,055,584	\$ -
Support services	821,850	-
Non-instructional programs	-	169,262
Other expenditures	460,305	-
Total Disbursements	<u>\$ 3,337,739</u>	<u>\$ 169,262</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -56,891	\$ -18,500
Other financing sources, net	<u>-13,500</u>	<u>13,500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -70,391	\$ -5,000
Balances beginning of year	<u>311,606</u>	<u>28,906</u>
Balances End of Year	<u><u>\$ 241,215</u></u>	<u><u>\$ 23,906</u></u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Original	Amounts Final		Final To Actual Variance
\$	1,890,566	\$	1,956,806	\$	1,956,806	\$ -66,240
	-		-		-	-
	1,348,410		1,412,491		1,412,491	-64,081
	192,634		138,000		138,000	54,634
\$	3,431,610	\$	3,507,297	\$	3,507,297	\$ -75,687
\$	2,055,584	\$	2,259,969	\$	2,259,969	\$ 204,385
	821,850		784,700		784,700	-37,150
	169,262		192,140		192,140	22,878
	460,305		493,551		493,551	33,246
\$	3,507,001	\$	3,730,360	\$	3,730,360	\$ 223,359
\$	-75,391	\$	-223,063	\$	-223,063	\$ 147,672
\$	-	\$	-	\$	-	\$ -
\$	-75,391	\$	-223,063	\$	-223,063	\$ 147,672
	340,512		313,256		313,256	27,256
\$	265,121	\$	90,193	\$	90,193	\$ 174,928



**Aplington Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2004**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the support services function exceeded the amount budgeted.

## **Other Supplementary Information**

## Aplington Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Playground Levy	Debt Service	Total
<b>Assets</b>						
Cash and pooled						
Investments	\$ 3,359	\$ 11,703	\$ 414	\$ 1,805	\$ 56,022	\$ 73,303
Receivables:						
Property Tax:						
Delinquent	1,068	-	1,306	177	3,561	6,112
<b>Total Assets</b>	<b>\$ 4,427</b>	<b>\$ 11,703</b>	<b>\$ 1,720</b>	<b>\$ 1,982</b>	<b>\$ 59,583</b>	<b>\$ 79,415</b>
<b>Liabilities &amp; Fund Equity</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity:						
Unreserved fund Balances	4,427	11,703	1,720	1,982	59,583	79,415
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 4,427</b>	<b>\$ 11,703</b>	<b>\$ 1,720</b>	<b>\$ 1,982</b>	<b>\$ 59,583</b>	<b>\$ 79,415</b>

See accompanying independent auditor's report.

## Aplington Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

**Year Ended June 30, 2004**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Playground Levy	Debt Service	Total
Revenues:						
Local Sources:						
Local tax	\$ 69,536	\$ -	\$ 85,053	\$ 11,482	\$ 248,093	\$ 414,164
Other	130	39,148	165	2,525	585	42,553
State sources	413	-	505	68	1,388	2,374
Total Revenues	\$ 70,079	\$ 39,148	\$ 85,723	\$ 14,075	\$ 250,066	\$ 459,091
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$ 51,153	\$ -	\$ -	\$ -	\$ -	\$ 51,153
Other instruction	-	40,408	-	-	-	40,408
Support Services:						
Administration services	9,473	-	-	-	-	9,473
Operation & maintenance of plant services	11,527	-	-	3,720	-	15,247
Transportation services	7,598	-	-	-	-	7,598
Other Expenditures:						
Facilities acquisition	-	-	32,087	16,677	181,398	230,162
Long-term debt interest	-	-	-	-	124,093	124,093
Total Expenditures	\$ 79,751	\$ 40,408	\$ 32,087	\$ 20,397	\$ 305,491	\$ 478,134
Excess (deficiency) of revenues over (under) expenditures	\$ -9,672	\$ -1,260	\$ 53,636	\$ -6,322	\$ -55,425	\$ -19,043
Other Financing Sources (Uses):						
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ 55,800	\$ 55,800
Operating transfers out	-	-	-55,800	-	-	-55,800
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -55,800	\$ -	\$ 55,800	\$ -
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -9,672	\$ -1,260	\$ -2,164	\$ -6,322	\$ 375	\$ -19,043
Fund balances beginning of year, as restated	14,099	12,963	3,884	8,304	59,208	98,458
Fund Balances End of Year	\$ 4,427	\$ 11,703	\$ 1,720	\$ 1,982	\$ 59,583	\$ 79,415

See accompanying independent auditor's report.

## Aplington Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 85	\$ 170	\$ 208	\$ -	\$ 47
Special needs athletics	132	-25	31	-	76
Promotion	514	5,010	4,792	-	732
Drama	772	1,492	1,014	-	1,250
Student Council	1,407	4,290	3,496	465	2,666
Class of 2008	2,237	1,346	4,083	500	-
Class of 2009	1,358	486	444	372	1,772
Class of 2010	-	549	575	985	959
Athletic resale	59	3,360	3,360	-	59
Magazine sales	-	6,981	4,659	-2,322	-
Book sale	3,081	2,547	3,608	-	2,020
Juice sales	913	2,411	2,871	-	453
Pop sales	1,057	8,978	9,664	-	371
Middle School pictures	362	828	782	-	408
Elementary pictures	377	856	1,033	-	200
Elementary summer program	377	57	167	-	267
Spanish Club	10	-	-	-	10
RAMM	82	-	41	-	41
Character RAMM	140	572	518	-	194
Vocal Music	-	90	-	-	90
Band	-	90	-	-	90
Total	\$ 12,963	\$ 40,088	\$ 41,346	\$ -	\$ 11,705

## Aplington Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,462,155	\$ 1,464,252	\$ 1,351,868
Tuition	54,684	54,144	20,606
Other	288,576	269,061	270,359
Intermediate sources	-	-	-
State sources	1,346,315	1,515,242	1,376,929
Federal sources	129,118	85,308	59,762
Total	<u>\$ 3,280,848</u>	<u>\$ 3,388,007</u>	<u>\$ 3,079,524</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,128,586	\$ 1,390,972	\$ 1,427,737
Special instruction	830,532	494,884	418,498
Other instruction	96,466	110,945	101,782
Support services:			
Student services	26,739	22,640	36,688
Instructional staff services	112,845	140,112	112,737
Administrative services	311,049	269,830	248,435
Operation and maintenance of plant services	184,580	167,874	155,635
Transportation services	186,637	168,213	175,678
Central support services	-	-	-
Non-instructional programs	-	3,696	11,402
Other expenditures:			
Facilities acquisition	48,764	146,221	44,146
Long-term debt:			
Principal	181,398	125,000	115,000
Interest and other charges	124,093	127,815	135,291
AEA flow-through	106,050	114,150	108,773
Total	<u>\$ 3,337,739</u>	<u>\$ 3,282,352</u>	<u>\$ 3,091,802</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance  
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Aplington Community School District:

I have audited the financial statements of Aplington Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated July 28, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Aplington Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Aplington Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Aplington Community School District and other parties to whom Aplington Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Aplington Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge  
Certified Public Accountant

July 28, 2004

**Aplington Community School District**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

## **Aplington Community School District**

### **Schedule of Findings**

**Year Ended June 30, 2004**

#### **Part II - Other Findings Related to Statutory Reporting:**

II-A-04 Official Depositories - Official Depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the certified budget amounts in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kim Dix, Board Member Owner of Dix Electric	Maintenance	\$9,221

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.